

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PROPOSED ADJUSTMENT OF THE WHOLESALE)
WATER SERVICE RATE OF THE CITY OF) CASE NO. 2012-00139
LIBERTY, KENTUCKY)

ORDER

The city of Liberty, Kentucky ("Liberty") has submitted a proposed revision to its existing rate for wholesale water service to East Casey County Water District ("East Casey District"). Liberty proposes that this revision become effective on and after April 12, 2012. East Casey District has requested an investigation into the proposed rate revision and has moved to intervene in any Commission proceedings on the proposed rate revisions.

Having considered the proposed rate revision and being otherwise sufficiently advised, the Commission finds that, pursuant to KRS 278.190, further proceedings are necessary to determine the reasonableness of the proposed rate revision. The Commission further finds that East Casey District's intervention is likely to present issues or to develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting this proceeding.

IT IS THEREFORE ORDERED that:

1. This proceeding is established to determine the reasonableness of Liberty's proposed wholesale rate revision.

2. East Casey District shall be entitled to the full rights of a party and shall be served with a copy of all Commission Orders and all documents filed by any party to this proceeding.

3. Liberty shall not take any action to charge the proposed revised wholesale water rate until obtaining Commission approval.

5. To the extent permitted by law and consistent with KRS 278.200, Liberty's proposed revised wholesale rate is suspended from April 12, 2012 up to and including September 11, 2012.

6. The procedural schedule set forth in Appendix A to this Order shall be followed.

7. a. All responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness who will be responsible for responding to the questions related to the information provided, with copies to all parties of record and eight copies to the Commission.

b. Each response shall be under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

8. Any party that files written testimony shall file with the Commission an original and eight copies. Written testimony shall be in verified form.

9. The parties shall consider any request for information from Commission Staff as if ordered by the Commission.

10. Service of any document or pleading in paper form shall be made in accordance with 807 KAR 5:001, Section 3(7). Service upon a party shall be considered completed upon delivery of the document or pleading to the party or upon mailing the document or pleading to the party's address of record.

11. Any party filing a document or pleading with the Commission shall serve such document or pleading upon all other parties to this proceeding.

12. Any document or pleading that a party serves upon the other parties to this proceeding shall also be filed with the Commission.

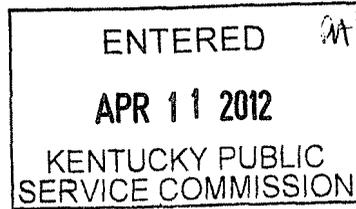
13. At any hearing in this matter, neither opening statements nor summarization of direct or rebuttal testimony shall be permitted.

14. Direct examination of witnesses shall be limited to the authentication and adoption of that written testimony. No summarization of written testimony by the witness shall be permitted.

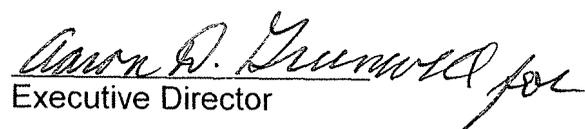
15. Witnesses who have filed written direct and rebuttal testimony shall present that testimony at the same sitting. Opposing parties may cross-examine such witnesses on both direct and rebuttal testimonies.

16. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission



ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2012-00139 DATED APR 11 2012

- An informal conference shall be held at the Commission's offices in Frankfort, Kentucky for the purpose of considering the possibility of settlement, the simplification of issues, and any other matters that may aid in the handling or disposition of this case, beginning at 1:30 p.m., Eastern Daylight Time, on.....04/26/2012
- Liberty shall file its response to the Commission's request for information in Appendix B no later than.....06/01/2012
- Intervenors and Commission Staff shall serve their first set of requests for Information upon Liberty no later than06/15/2012
- Liberty shall file with the Commission and serve upon all parties of record and Commission Staff its responses to the first set of requests for information no later than06/29/2012
- Intervenors and Commission Staff shall serve their second set of requests for information upon Liberty no later than.....07/13/2012
- Liberty shall file with the Commission and serve upon all parties of record and Commission Staff its responses to the second set of requests for information no later than07/27/2012
- Intervenor testimony, if any, shall be filed with the Commission and served upon all parties of record in verified prepared form no later than.....08/10/2012
- Parties and Commission Staff shall serve requests for information upon Intervenors no later than08/24/2012
- Intervenors shall file with the Commission and serve upon all other parties of record and Commission Staff their responses to requests for information no later than09/07/2012
- Public Hearing is to held at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of cross-examination of witnesses To Be Announced

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00139 DATED APR 11 2012

1. Provide in written verified form the direct testimony of each witness that Liberty intends to call at the scheduled hearing in this matter.
2. Provide the independent auditor's reports for Liberty's water and sewer operations for the fiscal years ending June 30, 2009, June 30, 2010, and June 30, 2011.
3.
 - a. State the test period upon which Liberty bases its proposed rate adjustment.
 - b. Explain why this test period was chosen.
4. Provide the general ledgers for Liberty's water and sewer operations for the proposed test period and the most recently concluded fiscal year. These general ledgers shall include all check registers and spreadsheets used to record and track financial transactions.
5. For each outstanding revenue bond issuance related to Liberty's water and sewer operations:
 - a. Provide the bond ordinance or resolution authorizing the issuance of revenue bonds.
 - b. Provide an amortization schedule.
 - c. Provide a detailed explanation of why the debt was incurred.
6. List all persons on Liberty's payroll during the proposed test period. For each employee, state his or her job duties, total wages paid during the fiscal year, current salary or wage rate, and the percentage of work hours spent performing duties

for each city division (e.g., water, sewer, police department, public works) during the fiscal year. If Liberty's records do not permit the allocation of an employee's work hours among city divisions, provide an estimate for each employee and explain how Liberty derived the estimate.

7. For each employee listed in Item 6, describe how Liberty allocated his or her payroll and payroll overhead charges to each city division for the proposed test period. This response shall include a detailed explanation of all allocation procedures. Payroll overhead charges include payroll taxes, health insurance premiums, pension costs, and any other employee benefit costs.

8. a. List all joint or shared costs that Liberty incurred during the proposed test period. For each cost, list the vendor, total expense amount, amounts allocated per division, and the basis for allocation.

b. Describe the procedures to allocate joint and shared costs among Liberty's divisions for the proposed test period.

c. Provide all internal memorandums, policy statements, correspondence and documents related to the allocation of joint and shared costs.

9. Provide detailed depreciation schedules for the water and sewer divisions. A separate schedule shall be provided for each division.

10. Provide an adjusted trial balance and audit adjustments for the proposed test period and the most recently completed fiscal year. The trial balance shall be traced and referenced directly to the general ledgers requested in Item 4.

11. Provide the "Enterprise Funds Uniform Financial Information Report" that Liberty submitted to the Kentucky Department of Local Government for the fiscal years ending June 30, 2009, June 30, 2010, and June 30, 2011.

12. a. Complete the table below:

Water Main Size	Total Miles of Line	Miles Of Lines Jointly Used By Both Liberty and Its Wholesale Customers
16"		
14"		
12"		
10"		
8"		
6"		
4"		
2"		

b. Identify the persons or entities that paid for the water main(s) that Liberty uses to deliver water to Liberty's wholesale customers.

c. Identify the other wholesale customers besides East Casey District, if any, that are served from the water mains that Liberty uses to deliver water to East Casey District.

d. For each customer listed in response to Item 12(c), provide its monthly water usage for each of the previous 24 months.

13. a. What is the maximum capacity of Liberty's water treatment plant?

b. (1) State the amount of Liberty's total water treatment plant capacity that is currently reserved for East Casey District.

(2) List and describe all changes, if any, that Liberty expects within the next three years in the level of water treatment capacity reserved for East Casey District.

14. a. Identify the entity that owns the master meter(s) through which Liberty provides water to East Casey District.

b. State the number of master meters that Liberty uses to provide water service to East Casey District.

c. State the entity that is responsible for maintaining these master meters.

15. Provide a system map showing all of Liberty's facilities that are used to serve the customers listed in Item 12(c).

16. State the portion, if any, of Liberty's water main(s) that serves the customers listed in Item 12(c) that are gravity fed.

17. For each month of the previous 36 months, state Liberty's water sales (in gallons) to:

- a. East Casey District, and
- b. Retail customers.

18. Complete the table below:

City of Liberty	Gallons for Test Period	Gallons for Fiscal Year Ending June 30, 2011
Plant Use		
Line Loss (Unaccounted for)		
Sales to Retail		
Sales to East Casey District		
Sales to Other Wholesale Customers		
Total Produced and Purchased		
Total Sold		

19. List the types of water service (e.g., service to municipal buildings, fire protection, etc.) that are included in the unmetered amount. For each type of service, estimate the percentage of the total unmetered amount.

20. Provide the cost-of-service study upon which the proposed rates are based.

C. Andrew Greynolds
General Manager
East Casey County Water District
690 S. Wallace Wilkinson Blvd
Liberty, KY 42539

Sharleen Rodgers
City Clerk/Treasurer
City of Liberty
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Liberty, KY 42539